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MEMORANDUM FOR: Economic Defense Intelligence Committee

FROM : Executive Secretary, EDIC

SUBJECT : Availability of Diamonds in the USSR

REFERENCE : EDIC Case No. 21, 13 April 1956

The attached report, prepared by CIA as a response to EDIC Case No. 21, is circulated to EDIC members for review and comment.

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Executive Secretary

Attachment:
Availability of Diamonds in the USSR

Distribution:
Cat. B (4, 8-12, 14, M/NF) [redacted] 25X1A9a
C (1-3)
D (All)
E (1-3)

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Prepared by [redacted] 25X1A9a

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6 June 1956

AVAILABILITY OF DIAMONDS IN THE USSR

Summary

Recent claims as to the major significance of a discovery of diamond deposits in the Yakut Republic are viewed with considerable scepticism. The deposits apparently were discovered in 1954, but large-scale development reportedly is beginning only now. To date, there is no conclusive evidence that the USSR has relaxed its efforts to procure diamonds from outside sources. If the Yakut deposits are alluvial, as most reports indicate, it is unlikely that they would provide the range in types of diamonds necessary to fulfill Soviet claims of prospective self-sufficiency for all uses.

USSR Requirements

It is estimated that USSR industry requires about 700,000 to 900,000 carats of industrial diamonds annually. The entire Sino-Soviet Bloc probably requires about 1½ to 2 million carats. The procurement of gem stones does not appear to be of importance in the Soviet economy.

Indigenous Resources and Production

The only known diamond-producing area in the USSR is the eastern slope of the Middle Urals where placer mines are located near Neoganskoi Sverdlovsk and Troitsk. The estimated total annual diamond output of these mines is only 1,000 carats, predominantly industrial type. A few diamonds have been found in the gold and platinum mining areas west of the Urals in the Chkalov district and in the Kama Valley near Cherdin, but these occurrences have not been of commercial significance. In the past, various claims of diamond discoveries have been made but there has been no evidence of any increased commercial production.

Foreign Sources of Supply

To date, the USSR has been dependent almost entirely on imports for its supply of industrial diamonds. The industrial diamond supply is obtained largely from the traditional diamond-processing countries--the Netherlands, Belgium, and Switzerland. Recently it has been reported that Beirut has become a major transshipment point for illegal diamond procurement operations out of Africa. It is believed that the most frequent method of procurement is for Soviet agents to obtain

the diamonds through various illicit channels and sell directly to Soviet diplomatic missions. Purchases by a legation are local transactions and export licenses are not required for dispatch by diplomatic pouch. (A pouch weighing 100 pounds can carry 200,000 carats of diamonds.)

Between October 1941 and April 1946 the United Kingdom furnished about 2,800,000 carats of industrial diamonds to the USSR; much of this probably was stockpiled and has been used to supplement postwar importations.

Because of the nature of the diamond trade, which lends itself readily to concealment, it is impossible to estimate current imports by, or the supply available in, the USSR. However, there have been continuous indications of shortages both of diamonds and diamond tools in the Soviet Bloc. Aside from known procurement activities, indications of shortages lie in the intensive efforts being made to develop substitutes for the use of diamonds, and in the Soviet approach to India with an offer of experts and equipment to assist in modernizing the Panna diamond mine, with the ensuing prospect of sharing in the output. Soviet interest in the Panna mine project appears to continue unabated.

Evaluation of Yakut Claim

It is difficult to evaluate the potential significance of the diamond "discovery" in the Yakut ASSR at this apparently early stage of development, and in the face of overly optimistic claims made in Soviet public statments during the past few months.

Announcements of the discovery of large alluvial diamond fields began appearing in the Soviet press early in 1956. The discovery was described variously as being located in: "eastern Siberia," "southern Yakut," "the Yakut Republic north of Lake Baikal", and "near the Manchurian border." The deposits were said to be so large that they would supply all Soviet requirements for industrial diamonds and would also provide gem stones. According to one report, the discovery of "rich diamond fields in the Lena basin" was made accidentally by a Soviet geologist who found "naturally polished" diamonds "about the size of peas" embedded in the sand of a river bank. (Diamonds have never been known to be found in a "polished" state.) This report was followed by a statement by the Soviet Minister for Geology that diamonds would become an important source of foreign currency to the USSR.

Bulganin, in a speech outlining the objectives of the Sixth Five-Year Plan, referred to the development of diamond deposits. The CPSU directives on the Sixth Five-Year Plan placed high priority on the carrying out of "preparatory work for the setting up of the diamond extracting industry in Yakut ASSR." The first secretary of the Russian Embassy in Washington, in a speech on 16 May, referred to the diamond deposits opened in Siberia as "probably richer than South Africa's." Although all of this publicity has developed only in the past few months, it appears that the "discovery" was reported in 1954 when, according to the Moscow correspondent of the London Times, geologists found "rich scattered and concentrated" deposits of diamonds in the Yakut ASSR.

If the Yakut "discovery" is an alluvial deposit, as most of the Soviet statements indicate, the product will differ from that of the so-called "pipe mines", such as those of South Africa, which produce a very large quantity of gem-quality stones. Alluvial deposits are usually found in old river and lake beds, the result of erosion of rocks containing diamonds. Such deposits can be worked by placer mining; their extent is limited and individual deposits or pockets are usually exhausted in a relatively short time. Deposits of this type usually contain large quantities of bort, a flawed, broken, or impure diamond or diamond chip. Bort is useful industrially, in the making of some types of diamond drill bits, abrasive (grinding) wheels, and other items. Bort is not suitable, however, for other vital industrial diamond uses such as tool stones and wiredrawing die stones used to draw uniform fine wire for the electronics industry and fine nickel mesh used in atomic energy fields. Thus, bort would serve a large but less strategic segment of industrial requirements even if found in unlimited quantities.

It is possible that an alluvial deposit of diamonds actually has been found in the southern part of the Yakut ASSR, and there is every reason to believe that the Soviets are intensifying geological prospecting and research work bearing on the mineral resources of that area. Also, it may be assumed that, if they are successful in developing diamond resources and mining facilities, the industrial diamond shortage situation will be relieved to some extent. However, on the basis of available information, Soviet claims as to the magnitude of the discovery appear to be highly exaggerated. At this time, no firm basis can be found for believing that the reported Yakut field could prove adequate to supply total Soviet requirements for industrial diamonds, or that it would be of a nature to rival the South African diamond mines.